VEIC Review of

2018-2020 NH Statewide Energy Efficiency Plan

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Section 5.0 NHSaves Financing Options – Part 2

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Characteristics of a Successful EE Financing Program

Though these characteristics are focused on the residential market, they apply to all market segments:

- **Instant or near-instant approval.** No more than 1-2 day turn-around. Any credit review should be able to be done quickly based on only one criteria (e.g., utility bill payment history, credit score). Anything beyond basic review creates hurdles that limit uptake.
- **Easy for contractors to sell.** Link financing directly with audits. Contractors can sell in the field through a tablet or smartphone app. Because everyone can qualify (see above), it's easy for contractors to make this part of the core sale.
- **Streamlined application process for customers**. Customers can apply online, easy process, fast approval.
- **At least 10 year term**. Long enough term that positive monthly cash flow can be achieved for most EE projects. Where projects cannot reach positive cash-flow, energy savings are factored in to projections.
- **No penalties for early payoff.** Pre-payment should be allowed as a way to meet the customer's changing financial goals and to remove a barrier to undertaking deeper retrofits.
- **Comprehensive.** Can be used for a wide range of EE measures (weatherization, appliances, HVAC) with clear criteria and ideally also related health and safety measures, as well as PV.

Best Practices for Achieving Success

- Designing a payback structure that creates an attractive return for private sector investors;
- Achieving a cyclical/growing funding stream that allows the program to be a consistent option in the target market as long as opportunity or demand is sufficient;
- Designing programs in such a way as to maximize participation and cover administrative costs;
- Tapping into funding sources that limit reliance on ratepayer or government funds;
- Ensuring that typically underserved segments of the population are capable of accessing the program; and
- Attaining flexibility of program design to allow for supporting strategies and approaches unique to particular communities in a state/region.

List adapted from NASEO “Unlocking Demand: An Analysis of State Energy Efficiency and Renewable Energy Programs” 2013

Performance tracking and evaluation needed for financing programs

- In 2010, the New Hampshire Legislature passed SB 323, to study, among other things, “the effectiveness and sustainability of all funds available to stimulate investments in EE and clean energy to advance the state’s energy goals…” Regular, standardized reporting and periodic evaluations ensure effective and cost-effective programs.
- Today, there are no financing program-specific performance reports or evaluation studies. The absence of detailed performance and evaluation data makes it difficult to determine if the financing programs in their current form are meeting the market needs and demands, and it is not possible to assess their cost-effectiveness or long-term sustainability.

Explore increasing the resources available to energy efficiency above and beyond the SBC

- Under the umbrella of the Clean Energy Fund, the NH Community Development Finance Authority offers financing in the EE/RE market. Expanding this capital pool would increase EE resources
- Explore the feasibility of leveraging the utility rebate as a tool to leverage private capital to augment the SBC.
- The 3-year plan should include specific language that creates an opportunity to thoroughly assess how to increase the pool of capital available for EE and to enable property owners to undertake deeper EE measures.

Other Comments or Ideas

- EE financing alone does not drive the EE market. However, financing tools designed to help home and building owners overcome the upfront cost of energy efficiency upgrades are critical to accelerate and deepen energy efficiency investments across market segments.
- In 2012, ACEEE released a report titled “The Limits of Financing for Energy Efficiency”. Though the report is now five years old, it should be required reading for anyone involved in exploring new private financing channels to facilitate EE program participation and encourage comprehensive energy efficiency investments. Go to http://aceee.org/files/proceedings/2012/data/papers/0193-000155.pdf
- Typically a Loan Loss Reserve Fund is used to mobilize private capital for EE financing. A reserve of 10% of the loan facility is fairly standard: a $100,000 reserve will attract a $1 million loan facility.
- Third-party financing options should be explored with the NH Community Development Finance Authority and NH Community Loan Fund

Other Comments or Ideas

- State and Local Energy Efficiency Action Network facilitates access to one-on-one assistance to state and local government organizations on the design and implementation of effective energy efficiency policies and programs – including designing financing strategies.
- Go to: https://www4.eere.energy.gov/seeaction/topic-category/energy-efficiency-financing

For More Information

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